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SPECIAL COMMITTEE ON THE SITUATION WITH REGARD TO THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES

ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH ARE IMPEDING THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES IN ALL TERRITORIES UNDER COLONIAL DOMINATION AND EFFORTS TO ELIMINATE COLONIALISM, APARTHEID, AND RACIAL DISCRIMINATION IN SOUTHERN AFRICA

TURKS AND CAICOS ISLANDS

Working paper prepared by the Secretariat

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I. GENERAL

1. Basic information on the constitutional, political, economic and social conditions in the Turks and Caicos Islands is contained in the general working paper prepared by the Secretariat for the current session of the Special Committee (A/AC.109/1139). Information on economic conditions with reference to foreign economic interests is also contained in a previous working paper (A/AC.109/1124). Supplementary information on the activities of foreign economic interests is set out below.

II. ROLE OF FOREIGN CAPITAL

2. The economy of the Turks and Caicos Islands continues to be based on tourism, property development, the export of conch and lobster, and government expenditure. The Territory is heavily dependent on external assistance. The United Kingdom of Great Britain and Northern Ireland is its major donor.

3. Foreign investors, mainly from Canada, the United Kingdom and the United States of America, continue to play a dominant role in the economy of the Territory. The main areas of foreign private investment are tourism, real estate, property development and banking.

4. During the previous reporting period, the Chief Minister met with officials of the Overseas Private Investment Corporation (OPIC), a semi-private agency of the United States Government with a mandate to mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed countries and areas. The talks centred on the inclusion of the Turks and Caicos Islands in the list of participating countries in OPIC-sponsored programmes. Commitments on both sides were made, setting in motion the process to qualify the Turks and Caicos Islands for OPIC programmes. Basically, OPIC provides the following:

(a) Insurance against inconvertibility, expropriation and political violence;

(b) Finance in the form of direct loans and loan guarantees to citizens of the United States, to United States corporations, partnerships, or business organizations with at least 25 per cent United States ownership, and to foreign corporations, partnerships or business organizations with at least 95 per cent United States ownership. 1/

III. OFFSHORE COMPANY REGISTRATION

5. The Turks and Caicos Islands levies no income tax, capital gains tax or sales tax. That fact, together with other laws of the Territory, make it one of the most attractive jurisdictions in which to establish a corporation and to engage in normal offshore financial activities (see A/AC.109/1024, para. 5). The Caribbean Development Bank (CDB) reported that the offshore business sector continued to expand in 1991, with favourable prospects for continued growth. The number of company registrations increased by 12.8 per cent to 10,161, compared with a 13.9 per cent increase in 1990. Between 1987 and 1991, the

number of registrations increased at an average annual rate of 16 per cent. However, the trend since 1989 has been towards a deceleration in the pace of registrations. 2/

6. The emphasis in 1991 was on increased promotional activity in the offshore sector. This emphasis continued in 1992, as the British Development Division in the Caribbean took steps to finance a promotional and regulatory project for the sector. The regulatory component of the project was designed to focus on strengthening institutions, which included a provision for an insurance administrator. The new institutional arrangements were expected to improve the overall attractiveness of the sector by offering strict supervision and ensuring that only bona fide companies were registered. 2/

7. The Chief Minister said in March 1992 that the offshore finance industry had generated US$ 2.5 million 3/ in government revenue in 1991-1992. He further said that the Government had initiated major programmes to promote the offshore finance and tourism industries.

8. In October 1991, the Territory hosted an international conference on new offshore financial legislation in the Turks and Caicos Islands, sponsored by the international firm KPMG Peat Marwick, which had been operating in the Territory for one year. The conference attracted 75 participants, the majority of whom were from overseas, including the Bahamas, Bermuda, the Cayman Islands, Sweden, the United Kingdom and the United States. 4/

9. Addressing the conference, the Superintendent of the Offshore Finance Centre Unit said that while more than 25,000 companies had been formed in offshore financial centres in the Caribbean alone, the Turks and Caicos had less than 5 per cent of that market even though the legislation in the Territory was as good as that elsewhere. He said it was evident that a great deal of promotional work remained to be done. 4/

10. The Chief Minister told the conference that the Government of the United Kingdom had approved US$ 1 million for a project to promote the Territory's offshore industry. He added that, as an offshore financial centre, the Turks and Caicos presented the following advantages: (a) United States dollar as legal tender; (b) little or no crime; (c) a well-regulated offshore finance industry free of corruption; (d) proximity to the United States; (e) excellent communications; (f) a stable and encouraging Government; and (g) a legal system based on British common law. 4/

IV. TOURISM

11. Tourism continued to be the main source of revenue for the islands. As such, the Government considered the carefully planned development of tourism to be of the highest priority. In August 1991, 5/ the Chief Minister, who is also the Minister for Tourism and Development, said that the Territory would aim for the high end of the tourist market rather than the low end. He said that the Government's emphasis was on quality tourism, as the majority of cruise-ship tourists left nothing or little in the economy.

12. According to CDB, 2/ tourist activity accelerated in 1991. Total arrivals increased by 13.3 per cent in 1991 from 48,756 in 1990 to 55,248 in 1991.

Tourism growth continued to be centred around Providenciales, with total arrivals increasing by 19.4 per cent on that island as compared with a decline of 17.6 per cent and 12.9 per cent on Grand Turk and South Caicos, respectively.

13. In 1991, the closure of a major airline worsened the problem of airline access from the United States. Increased flights by Cayman Airways and a United States charter provided a temporary solution to the problem. According to CDB, however, efforts must be made to encourage a major United States carrier to schedule a new service in order to increase substantially the number of tourist arrivals, particularly since the problem of airline access to the Territory had led to the diversion of visitors to other destinations in the Caribbean. 2/

14. The Chief Minister said in his Budget Speech that the Government had received US$ 800,000 from the United Kingdom for the promotion of tourism over the next two years. He reasserted the Government's commitment to quality tourism, and mentioned measures, taken or envisaged by the Government, to achieve that goal in the field of human resources management and development.

15. According to the Chief Minister, a greater number of quality hotel rooms was required in the Territory. There were 1,014 rooms, of which less than half could be truly considered quality rooms. The Government had therefore decided to foster the construction of new accommodation, and it was estimated that by 1995 the number of hotel rooms would be just under 3,000.

16. The Chief Minister also said that, over the next three years, the Government expected private investment of US$ 150 million in tourism projects, support services and infrastructures.

V. TRANSPORTATION AND COMMUNICATION

17. In the field of transportation, the Territory maintains close collaboration with foreign firms. Following the approval by the Executive Council of a proposal for Cayman Airways to operate a thrice-weekly schedule of round-trip air service from Miami/Fort Lauderdale, Florida, to Providenciales, 6/ an agreement was signed with the airline, which inaugurated its first such flight in April 1991. 7/ The airline also began to offer round-trip fares between Grand Turk/Providenciales and Grand Cayman as of June 1991. 8/ In July 1991, following several rounds of negotiations between the Bahamas National Airline and the Turks and Caicos Government, Bahamas Air inaugurated two flights to the Territory, one from Nassau to Providenciales and one from Nassau to South Caicos. 9/

18. The telecommunications system is owned exclusively by Cable and Wireless (West Indies), Ltd. At a previous sitting of the Legislative Council, the Chief Minister presented a bill relating to the new tariff structure, which was passed as the Public Telecommunications Bill, 1990. Cable and Wireless (West Indies), Ltd., announced that, effective 1 July 1990, there would be a reduction in telephone rates, in keeping with a new agreement that the company hoped to sign with the Government. According to the Governor, the Government has completed negotiations with Cable and Wireless on improved telecommunication services, new rates and charges, and a new licence. As of March 1990, there were 2,000 telephone subscribers in the Territory (see A/AC.109/1059, paras. 57-59).

19. According to the Governor, steps were taken to conclude a new agreement with the Intergovernmental Philatelic Corporation of New York to produce and market Turks and Caicos Islands postage stamps. A decision was made to re-establish the Philatelic Bureau to provide additional employment and revenue to the Government.

VI. FINANCIAL INSTITUTIONS

20. The Government places a high priority on the development of offshore financial institutions in the Territory. As stated in a previous working paper (A/AC.109/952, para. 16), the Government enacted a Banking Ordinance in 1979, and a Companies Ordinance and an Insurance Companies Ordinance in 1981. As an incentive to attract financial institutions and establish the Territory as a financial centre, the Government, as stated above (para. 5), levies no taxes on financial income and interest; nor does it impose regulations on exchange control or place restrictions on the repatriation of financial deposits and interest from the islands.

21. The Chief Minister said in March 1992 that his administration had an open-door policy for encouraging investment. The Government had undertaken to set up an Investment Bank during the coming fiscal year, which would seek to draw in hundreds of millions of dollars of investment during the 1990s from major investors around the world for much-needed projects.

22. Also, the Government had successfully negotiated a substantial increase in British aid to the Territory, totalling US$ 43 million over three years. He added that with aid from other sources and government savings, the authorities would have over US$ 70 million available for public investment over the next three years.

VII. FISHERIES

23. Fisheries continued to be a significant productive sector in the Territory. The processing and export of conch and lobster provided virtually all of the visible export earnings of the Turks and Caicos Islands, and the businesses involved are owned by both United States and local interests.

24. A document entitled "Draft Situational Analysis of the Turks and Caicos Islands", prepared by three consultants of the United Nations Children's Fund (UNICEF) in 1991, stated that while the Territory imports more than 90 per cent of its food, it could be self-sufficient in fish. According to the document, it is ironic that, although fish products are the major export, significant amounts of lobsters are imported from the United States at a cost that is much higher than what is paid to local fishermen. 10/

VIII. DRUGS

25. In his Throne Speech of 1992, the Governor said that an international drug trafficker who was in prison in the Turks and Caicos Islands, had escaped with the assistance of some inhabitants of the Territory. However, the police were able to recapture him and extradite him to the United States. According to the

Governor, the United States authorities said that this was the first time that an extradition had been completed successfully from a British dependent Territory to the United States.

26. In this connection, the Chief Minister stated in his 1992 budget speech that, the United States authorities had made several requests for assistance under the Mutual Legal Assistance Treaty and that his Government had complied with all such requests to date.

27. He added that, in response to the problem of drug abuse in the Territory's communities, the Government had set up a treatment and rehabilitation programme for drug addicts and their families.

28. This had resulted in support groups being established in Grand Turk, South Caicos and Providenciales. Initially, these groups were formed to provide counselling services for the drug addicts and their families, but the Government extended their role to include public awareness, community involvement and educational programmes.

29. The Chief Minister also noted that the Territory's recovering drug addicts who had returned from the Drug Rehabilitation Centre in Nassau (Bahamas), had been instrumental in educating schoolchildren and members of the community about the dangers of drug addiction to the whole society.

30. He concluded that the magnitude of the drug problem called for the establishment of a rehabilitation centre in the Turks and Caicos; plans were under way to investigate the feasibility of such a project. Meanwhile, and as a further indication of its commitment to the eradication of drugs, the Government had recruited a psychiatric social worker to provide drug and mental illness treatment services.

Notes

1/ Turks and Caicos News, 8 January 1990.

2/ Caribbean Development Bank, Annual Economic Report, 1991.

3/ The local currency is the United States dollar (US$).

4/ Turks and Caicos News, 26 October 1991.

5/ Ibid., 5 October 1991.

6/ Ibid., 8 December 1990 and 17 January 1991.

7/ Ibid., 27 April 1991.

8/ Ibid., 22 June 1991.

9/ Ibid., 20 July 1991.

10/ Ibid., 25 May 1991.